

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BESSEMER	County GOGEBIC
Fiscal Year End 6/30/07	Opinion Date 12/10/07	Date Audit Report Submitted to State 12/27/07	

We affirm that:

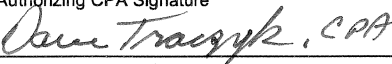
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	FINDING LISTED IN REPORT ON INTERNAL CONTROL	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) DAVID TRACZYK CPA		Telephone Number 715-561-3299	
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Authorizing CPA Signature 	Printed Name DAVID TRACZYK		License Number 1101011098

CITY OF BESSEMER, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Mayor and Members of the Council
City of Bessemer, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bessemer Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bessemer, Michigan management. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bessemer, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2007, on my consideration of City of Bessemer, Michigan internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The City of Bessemer, Michigan, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise of the City of Bessemer, Michigan's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Bessemer, Michigan. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

December 10, 2007

CITY OF BESSEMER, MICHIGAN
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 317,603	\$ 85,697	\$ 403,300
Accounts receivable	12,361	145,588	157,949
Taxes receivable	4,796	-	4,796
Due from State of Michigan	101,605	-	101,605
Internal balances	(32,374)	32,374	-
Deferred charges	644	-	644
Inventory	21,592	69,830	91,422
Restricted cash and investments	468,211	261,921	730,132
Capital assets net:			
Nondepreciable - land	27,092	17,723	44,815
Depreciable	1,358,246	1,854,762	3,213,008
	<hr/>	<hr/>	<hr/>
Total Assets	2,279,776	2,467,895	4,747,671
LIABILITIES			
Vouchers payable	52,881	18,986	71,867
Accrued interest	7,619	-	7,619
Due to other governments	-	-	-
Noncurrent Liabilities:			
Due within one year:			
Bonds and notes payable	78,000	-	78,000
Due in more than one year:			
Customer deposits	1,580	54,785	56,365
Bonds and notes payable	467,500	-	467,500
Compensated absences	59,355	-	59,355
	<hr/>	<hr/>	<hr/>
Total Liabilities	666,935	73,771	740,706
NET ASSETS			
Investments in capital assets, net of related debt	1,139,838	1,872,485	3,012,323
Restricted for perpetual care	258,767	-	258,767
Restricted for subsequent years	14,299	-	14,299
Restricted for capital projects	195,145	261,921	457,066
Unrestricted	4,792	259,718	264,510
	<hr/>	<hr/>	<hr/>
Total Net Assets	<u>\$ 1,612,841</u>	<u>\$ 2,394,124</u>	<u>\$ 4,006,965</u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$ 369,306	\$ 39,477	\$ 262,458	\$ -	\$ (67,371)
Public safety	289,750	-	-	-	(289,750)
Highways and streets	561,346	-	308,229	-	(253,117)
Sanitation	130,029	136,478	-	-	6,449
Culture and recreation	72,793	2,926	26,950	-	(42,917)
Interest on long term debt	17,562	-	-	-	(17,562)
Total Governmental Activities	1,440,786	178,881	597,637	-	(664,268)
Business-type Activities:					
Water	466,631	428,081	-	-	(38,550)
Sewer	361,149	366,278	-	-	5,129
Total Business-type Activities	827,780	794,359	-	-	(33,421)
Total	\$ 2,268,566	\$ 973,240	\$ 597,637	\$ -	\$ (697,689)

Changes in Net Assets

	Governmental Activities	Business- type Activities	Total
Net (Expense) Revenue	\$ (664,268)	\$ (33,421)	\$ (697,689)
General Revenues:			
Property taxes	464,680	-	464,680
Investment income	26,362	14,729	41,091
Miscellaneous	30,702	-	30,702
Transfers	27,331	(27,331)	-
Total General Revenues and Transfers	549,075	(12,602)	536,473
Changes in Net Assets	(115,193)	(46,023)	(161,216)
Net Assets at Beginning of Year	1,728,034	2,440,147	4,168,181
Net Assets at End of Year	\$ 1,612,841	\$ 2,394,124	\$ 4,006,965

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Major Street	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 47,082	\$ 17,932	\$ 244,842	\$ 7,747	\$ 317,603
Accounts receivable	12,361	-	-	-	12,361
Taxes receivable	4,796	-	-	-	4,796
Due from State of Michigan	82,478	13,670	-	5,457	101,605
Due from other funds	2,250	1,532	-	14,191	17,973
Deferred charges	644	-	-	-	644
Inventory	-	10,796	-	10,796	21,592
Restricted cash and investments	468,211	-	-	-	468,211
Total Assets	\$ 617,822	\$ 43,930	\$ 244,842	\$ 38,191	\$ 944,785
LIABILITIES					
Vouchers payable	\$ 45,844	\$ 2,034	\$ 4,557	\$ 446	\$ 52,881
Due to other funds	50,347	-	-	-	50,347
Customer deposits	1,580	-	-	-	1,580
Total Liabilities	97,771	2,034	4,557	446	104,808
FUND BALANCES					
Reserved for perpetual care	258,767	-	-	-	258,767
Reserved for subsequent years	14,299	-	-	-	14,299
Reserved for capital outlay	195,145	-	-	-	195,145
Unreserved	51,840	41,896	240,285	37,745	371,766
Total Fund Balances	520,051	41,896	240,285	37,745	839,977
Total Liabilities and Fund Balances	\$ 617,822	\$ 43,930	\$ 244,842	\$ 38,191	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of	\$1,794,853	1,385,338
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Due within one year	\$ 78,000	
Due in more than one year	467,500	
Compensated absences	59,355	(604,855)
Interest payable on long-term debt does not require current financial resources.		
Therefore interest payable is not reported as a liability in governmental funds balance sheet.		(7,619)
		<u>\$ 1,612,841</u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2007

	General	Major Street	Downtown Development Authority	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local Sources:					
Property taxes	\$ 414,829	\$ -	\$ 49,851	\$ -	\$ 464,680
Licenses and permits	6,386	-	-	-	6,386
Charges for services	522,206	-	-	-	522,206
Fines and forfeits	25,648	-	-	-	25,648
Interest	19,714	1,317	4,909	422	26,362
Other	24,316	-	-	-	24,316
State sources	263,760	220,543	-	87,686	571,989
Federal sources	-	-	-	-	-
	<u>1,276,859</u>	<u>221,860</u>	<u>54,760</u>	<u>88,108</u>	<u>1,641,587</u>
Expenditures:					
General Government	556,286	-	8,128	-	564,414
Public safety	114,322	-	175,428	-	289,750
Highways & streets	208,627	185,866	-	166,853	561,346
Sanitation	130,029	-	-	-	130,029
Culture and recreation	72,793	-	-	-	72,793
Capital outlay	65,923	-	-	-	65,923
Debt service:					
Principal	74,039	-	-	3,000	77,039
Interest	5,786	-	-	6,460	12,246
	<u>1,227,805</u>	<u>185,866</u>	<u>183,556</u>	<u>176,313</u>	<u>1,773,540</u>
Excess of Revenues over (under) Expenditures	49,054	35,994	(128,796)	(88,205)	(131,953)
Other Financing Sources (Uses):					
Transfers in	27,331	-	-	109,033	136,364
Transfers (out)	(100,154)	(8,879)	-	-	(109,033)
Proceeds from borrowing	-	-	300,000	-	300,000
	<u>(72,823)</u>	<u>(8,879)</u>	<u>300,000</u>	<u>109,033</u>	<u>327,331</u>
Net Change in Fund Balances	(23,769)	27,115	171,204	20,828	195,378
Fund balance at beginning of year	543,820	14,781	69,081	16,917	644,599
Fund balance at end of year	<u>\$ 520,051</u>	<u>\$ 41,896</u>	<u>\$ 240,285</u>	<u>\$ 37,745</u>	<u>\$ 839,977</u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended June 30, 2007

Continued

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$	195,378
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	65,923		
Depreciation expense	<u>(145,908)</u>		(79,985)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from borrowing	(300,000)		
Principal paid on long-term debt	<u>77,039</u>		(222,961)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued interest	(5,316)		
Accrued compensated absences	<u>(2,309)</u>		<u>(7,625)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>(115,193)</u></u>
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See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year ended June 30, 2007

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Property taxes	\$ 414,580	\$ 416,053	\$ 414,829	\$ (1,224)
Licenses and permits	2,500	6,000	6,386	386
Charges for services	477,187	514,337	522,206	7,869
Fines and forfeits	27,000	25,650	25,648	(2)
Interest	11,000	18,000	19,714	1,714
Other	3,340	18,081	24,316	6,235
State sources	272,300	272,300	263,760	(8,540)
Federal sources	-	-	-	-
	<u>1,207,907</u>	<u>1,270,421</u>	<u>1,276,859</u>	<u>6,438</u>
Expenditures:				
General Government	520,416	538,496	556,286	(17,790)
Public safety	116,615	115,745	114,322	1,423
Highways & streets	202,692	206,300	208,627	(2,327)
Sanitation	118,921	124,421	130,029	(5,608)
Culture and recreation	77,925	81,625	72,793	8,832
Capital outlay	2,000	66,000	65,923	77
Debt service:				
Principal	49,744	49,744	74,039	(24,295)
Interest	3,862	3,862	5,786	(1,924)
	<u>1,092,175</u>	<u>1,186,193</u>	<u>1,227,805</u>	<u>(41,612)</u>
Excess of Revenues over (under)				
Expenditures	115,732	84,228	49,054	(35,174)
Other Financing Sources (Uses):				
Operating transfers in	-	-	27,331	27,331
Operating transfers (out)	(115,732)	(93,708)	(100,154)	(6,446)
Proceeds from borrowing	-	-	-	-
	<u>(115,732)</u>	<u>(93,708)</u>	<u>(72,823)</u>	<u>20,885</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other (Uses)	-	(9,480)	(23,769)	(14,289)
Fund balance at beginning of year	<u>543,820</u>	<u>543,820</u>	<u>543,820</u>	<u>-</u>
Fund balance at end of year	<u>\$ 543,820</u>	<u>\$ 534,340</u>	<u>\$ 520,051</u>	<u>\$ (14,289)</u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Business type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT ASSETS:			
Cash and investments	\$ 75,490	\$ 10,207	\$ 85,697
Accounts receivable	73,818	71,770	145,588
Due from other funds	52,855	-	52,855
Inventory	57,913	11,917	69,830
Total Current Assets	260,076	93,894	353,970
RESTRICTED ASSETS:			
Cash and investments	253,471	8,450	261,921
Total Restricted Assets	253,471	8,450	261,921
NONCURRENT ASSETS:			
Property, plant, and equipment - net:			
Nondepreciable - land	17,723	-	17,723
Depreciable	1,288,673	566,089	1,854,762
Total Noncurrent Assets	1,306,396	566,089	1,872,485
Total Assets	1,819,943	668,433	2,488,376
LIABILITIES			
CURRENT LIABILITIES:			
Vouchers payable	18,931	55	18,986
Due to other funds	-	20,481	20,481
Due to other governments	-	-	-
Total Current Liabilities	18,931	20,536	39,467
NONCURRENT LIABILITIES:			
Customer deposits	54,785	-	54,785
Total Noncurrent Liabilities	54,785	-	54,785
Total Liabilities	73,716	20,536	94,252
NET ASSETS			
Investments in capital assets, net of related debt	1,306,396	566,089	1,872,485
Reserved for capital projects	253,471	8,450	261,921
Unreserved	186,360	73,358	259,718
Total Net Assets	\$ 1,746,227	\$ 647,897	\$ 2,394,124

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2007

	Business type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 426,268	\$ 366,278	\$ 792,546
Miscellaneous	1,813	-	1,813
Total Operating Revenue	428,081	366,278	794,359
Operating Expenses:			
Council/administration	16,643	566	17,209
General administration	95,214	33,450	128,664
Office	23,705	6,394	30,099
Production and pumping	20,068	21,999	42,067
Treatment plant	76,559	276,996	353,555
Distribution	34,042	-	34,042
Water purchased	157,423	-	157,423
Customer accounting	4,322	3,748	8,070
Depreciation	38,655	17,996	56,651
Total Operating Expenses	466,631	361,149	827,780
Operating Income (Loss)	(38,550)	5,129	(33,421)
Non-operating revenue (expenses):			
Interest income	13,851	878	14,729
Total non-operating revenues (expenses)	13,851	878	14,729
Net Income Before Contributions and Transfers	(24,699)	6,007	(18,692)
Capital contributions	-	-	-
Operating transfers:			
Transfers in	-	-	-
Transfers (out)	-	(27,331)	(27,331)
Net transfers	-	(27,331)	(27,331)
Change in Net Assets	(24,699)	(21,324)	(46,023)
Net Assets at Beginning of Year	1,770,926	669,221	2,440,147
Net Assets at End of Year	\$ 1,746,227	\$ 647,897	\$ 2,394,124

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2007

	Business type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 421,746	\$ 368,157	\$ 789,903
Payments to suppliers	(353,394)	(323,822)	(677,216)
Payments to employees	(67,423)	(19,490)	(86,913)
Internal activity - payment from (to) other funds	(15,000)	-	(15,000)
Net Cash Provided (Used) by Operating Activities	(14,071)	24,845	10,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds	-	(27,331)	(27,331)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(27,331)	(27,331)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(12,380)	-	(12,380)
Proceeds from sale of investments	-	-	-
Interest income	13,851	878	14,729
Net Cash Provided (Used) by Investing Activities	1,471	878	2,349
Net Increase (Decrease) in Cash and Cash Equivalents	(12,600)	(1,608)	(14,208)
Balances - Beginning of Year	88,090	20,265	108,355
Balances - End of Year	<u>\$ 75,490</u>	<u>\$ 18,657</u>	<u>\$ 94,147</u>
Cash, including time deposits	\$ 75,490	\$ 10,207	\$ 85,697
Restricted cash, including time deposits	-	8,450	8,450
Total Cash and Cash Equivalents, End of Year	<u>\$ 75,490</u>	<u>\$ 18,657</u>	<u>\$ 94,147</u>

Continued

See accompanying notes to basic financial statements.

Continued

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss)	\$ (38,550)	\$ 5,129	\$ (33,421)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	38,655	17,996	56,651
Change in assets and liabilities:			
Receivables	(7,573)	1,879	(5,694)
Due from other funds	(15,000)	-	(15,000)
Inventory	2,619	1,697	4,316
Vouchers payable	4,540	(1,856)	2,684
Due to other funds	-	-	-
Due to other governments	-	-	-
Meter deposits	1,238	-	1,238
Net Cash Provided by Operating Activities	<u>\$ (14,071)</u>	<u>\$ 24,845</u>	<u>\$ 10,774</u>

Noncash investing, capital and financing activities:
None

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND - POLICE AND FIREMEN RETIREMENT FUND
June 30, 2007

	ASSETS	
Cash and investments		<u>\$337,322</u>
	Total Assets	<u>337,322</u>
	LIABILITIES	<u>-</u>
	NET ASSETS	
Held in trust for pension benefits		<u><u>\$337,322</u></u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND - POLICE AND FIREMEN RETIREMENT FUND
Year ended June 30, 2007

	ADDITIONS	
Investment earnings:		
Interest		\$16,143
	DEDUCTIONS	
Benefits		22,176
Administration		<u>12</u>
	Total Deductions	<u>22,188</u>
Change in Net Assets		(6,045)
Net Assets at Beginning of Year		<u>343,367</u>
Net Assets at End of Year		<u><u>\$337,322</u></u>

See accompanying notes to basic financial statements.

CITY OF BESSEMER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT

The City of Bessemer, Michigan (the "City") operates under a Council – Manager form of government as authorized by its charter.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on this criteria, the City has no component units.

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

NOTES TO FINANCIAL STATEMENTS (continued)

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

The City's Policemen and Fireman Retirement Fund is a pension trust fund used to account for the accumulation of resources to be used for the retirement benefit payments to retired policemen and firemen of the City.

NOTES TO FINANCIAL STATEMENTS (continued)

Major and Nonmajor Funds

The governmental and enterprise funds of the City are further classified as major and nonmajor funds as follows:

Fund	Brief Description
MAJOR FUNDS	
1. General Special Revenue:	See above for description.
2. Major Street	Account for revenues and expenditures of major street system.
3. Downtown Development Authority Fund	Account for revenues and expenditures of Downtown Development Authority.
Enterprise:	
4. Water	Account for revenues and expenses of providing water service to the public.
5. Sewer	Account for revenues and expenses of providing sewer service to the public.
NONMAJOR FUNDS	
Special Revenue:	
6. Building Authority Fund	Account for revenues and expenditures of Building Authority.
7. Local Street	Account for revenues and expenditures of local street system.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note F for details of interfund transactions, including receivables and payables at year-end.

NOTES TO FINANCIAL STATEMENTS (continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

The inventories of the City's major and local street funds and enterprise funds consist of supplies and are recorded at the lower of cost or estimated value.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. The City records assets with an original cost of \$5,000 or greater, as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

-Buildings	50 years
-Machinery and Equipment	5-15 years
-Utility System	10-100 years
-Infrastructure	25-50 years

Depreciation expense for the governmental activities is recorded in the general government function along with a revenue reduction to eliminate rental charges. The rental charges are used to allocate expenses, including depreciation.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects, cemetery perpetual care, and subsequent year's operations.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time and sick leave permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. In the fund financial statements, the liability is reported as it is incurred.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note E for additional disclosures.

REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Property tax revenue should be recognized in accordance with MCGAA Statement 3. Properties are assessed and lienied as of December 31 and their related property taxes are billed on December 1 or July 1 of the following year. These taxes are due on February 14, or August 31 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and /or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--By Character:

Current (further classified by function)
Debt Service
Capital Outlay

Proprietary Fund--By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

BUDETARY CONTROL

The City follows the following procedures in establishing budgets as reflected in the financial statements:

1. Prior to June 1st, the City Manager submits a proposed budget to the Council with covers all funds operated by the City commencing the following July 1st, the proposed expenditures and the means of financing them.
2. At least one public hearing is conducted by the City to obtain taxpayer comments and review the proposed budget in detail.
3. In June, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter any item of the budget are approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles.

Presented budgeted amounts presented are as originally adopted on May 1, 2006, or as amended by action of the Council. The Council approved amendments to the 2006-07 budget on June 18, 2007.

NOTES TO FINANCIAL STATEMENTS (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - BALANCE SHEET--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Local Unit Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Local Unit's deposits are in accordance with statutory authority.

At June 30, 2007, cash and investment were reported in the basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Fund	Total
Cash and investments	\$ 317,603	\$ 85,697	\$ 337,322	\$ 740,622
Restricted cash and investments	468,211	261,921	-	730,132
	<u>\$ 785,814</u>	<u>\$ 347,618</u>	<u>\$ 337,322</u>	<u>\$ 1,470,754</u>

The breakdown between deposits and investments for the City is as follows:

Bank deposits (checking accounts, savings accounts, and certificates of deposit):	
Insured	\$ 340,736
In excess of insurance limits	607,975
Invested in bank investment pools	503,010
Petty cash or cash on hand	<u>415</u>
Subtotal	1,452,136
Less outstanding items	<u>18,618</u>
	<u>\$ 1,470,754</u>

The bank balance of the City's deposits is \$948,711 of which \$340,736 is covered by federal depository insurance and the remainder was uninsured and uncollateralized. The investments in bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. These are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE C – ACCOUNTS RECEIVABLE

The City records the receivables net of the allowance for uncollectibles. The amounts reflected as of June 30, 2007, include the following amounts with allowances for uncollectibles:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General	\$ 12,361	\$ -	\$ 12,361
General - taxes	4,796	-	4,796
Water	73,818	-	73,818
Sewer	71,770	-	71,770

The allowance is established, as accounts are deemed uncollectible. Delinquent personal property taxes are deemed uncollectible after 3 years and are written off.

NOTE D - RESTRICTED CASH

Various accounts have been established by the City for funds that have been reserved for future reserved expenditures. Separate accounts have been set up as follows:

General Fund:	
Subsequent years costs for fire department, library, and sick leave	\$ 14,299
Cemetery perpetual care	258,767
Capital outlay, including road improvements	<u>195,145</u>
	468,211
Water Fund:	
Capital improvements	253,471
Sewer Fund:	
Capital improvements	<u>8,450</u>
Total restricted assets	<u>\$ 730,132</u>

The above amounts have been set up in local banks in checking, savings, certificate of deposit accounts, and bank investment pools.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E – PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the City's property, plant, and equipment for the year is as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
<u>General Fixed Assets</u>				
Land	\$ 27,092	\$ -	\$ -	\$ 27,092
Buildings	1,401,115	-	-	1,401,115
Machinery and equipment	1,472,369	65,923	-	1,538,292
Office equipment	136,931	-	-	136,931
Infrastructure	76,761	-	-	76,761
	3,114,268	65,923	-	3,180,191
Accumulated depreciation	1,648,945	145,908	-	1,794,853
	<u>\$ 1,465,323</u>	<u>\$ (79,985)</u>	<u>\$ -</u>	<u>\$ 1,385,338</u>
<u>Water Fund</u>				
Land	\$ 17,723	\$ -	\$ -	\$ 17,723
Land improvements	23,760	-	-	23,760
Well improvements	142,105	-	-	142,105
Buildings	280,121	-	-	280,121
Machinery and equipment	218,511	-	-	218,511
Vehicles	24,632	-	-	24,632
Office equipment	5,431	-	-	5,431
Distribution system	1,401,344	-	-	1,401,344
	2,113,627	-	-	2,113,627
Accumulated depreciation	768,576	38,655	-	807,231
Net Plant	<u>\$ 1,345,051</u>	<u>\$ (38,655)</u>	<u>\$ -</u>	<u>\$ 1,306,396</u>
<u>Sewer Fund</u>				
Machinery and equipment	\$ 161,085	\$ -	\$ -	\$ 161,085
Vehicles	24,633	-	-	24,633
Office equipment	4,846	-	-	4,846
Transmission system	743,649	-	-	743,649
	934,213	-	-	934,213
Accumulated depreciation	350,128	17,996	-	368,124
Net Plant	<u>\$ 584,085</u>	<u>\$ (17,996)</u>	<u>\$ -</u>	<u>\$ 566,089</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE F - INTERFUND ACTIVITIES

The amounts of interfund receivables and payables at June 30, 2007, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 2,250	Sewer	<u>\$ 2,250</u>
			2,250
Major Street	1,532	General	1,532
Local Street	14,191	General	14,191
Water	<u>52,855</u>	General	34,624
		Sewer	<u>18,231</u>
			<u>52,855</u>
	<u>\$ 70,828</u>		<u>\$ 70,828</u>

Operating transfers between the various funds of the City for the year ended June 30, 2007, were as follows:

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>
Local Street	\$ 99,573	General	\$ 90,694
		Major Street	<u>8,879</u>
			99,573
General	<u>27,331</u>	Sewer	<u>27,331</u>
	<u>\$ 126,904</u>		<u>\$ 126,904</u>

The fund financial statements include charges by the general fund to the various funds and functions of the City for administration and rentals as follows:

Administration	\$ 169,330
Rentals	<u>173,995</u>
Total	<u>\$ 343,325</u>

These charges represent the allocation of various overhead expenditures. They have been eliminated in the government-wide statement of activities in accordance with GASB 34.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G - JOINT VENTURES

The City is a member of the Bessemer Area Sewer Authority (BASA), a joint venture. It has been incorporated by the City of Bessemer and Bessemer Township, both located in Gogebic County, Michigan. The BASA operates under a board of directors consisting of three members, two appointed by the City, and one by Bessemer Township. As a joint venture, the BASA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the BASA are available at the office of the BASA located at E7840 Stone Rd., Bessemer, Michigan. A condensed summary of the BASA activities as of June 30, 2006, is as follows:

	<u>June 30, 2005</u>	<u>Net Change</u>	<u>June 30, 2006</u>
Current assets	\$ 253,757	\$ (37,506)	\$ 216,251
Property, plant and equipment	7,706,846	(126,777)	7,580,069
Other assets	<u>248,519</u>	<u>24,514</u>	<u>273,033</u>
	<u>\$ 8,209,122</u>	<u>\$ (139,769)</u>	<u>\$ 8,069,353</u>
Current liabilities	\$ 85,683	\$ 3,115	\$ 88,798
Long-term debt	2,403,000	(51,000)	2,352,000
Equity	<u>5,720,439</u>	<u>(91,884)</u>	<u>5,628,555</u>
	<u>\$ 8,209,122</u>	<u>\$ (139,769)</u>	<u>\$ 8,069,353</u>

The City also is a member of the Gogebic Range Water Authority (GRWA), a joint venture. It has been incorporated by the Charter Township of Ironwood, Cities of Bessemer and Bessemer, along with the Townships of Bessemer and Bessemer, all of Gogebic County. The GRWA operates under a board of directors consisting of eleven members, two appointed by the each of the constituent municipalities, and 1 at large member appointed by the board of directors. The GRWA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the GRWA are available through their representative at P.O. Box 445, Ramsay, Michigan 49959. A condensed summary of the GRWA activities as of June 30, 2006, is as follows:

	<u>June 30, 2005</u>	<u>Net Change</u>	<u>June 30, 2006</u>
Current assets	\$ 220,466	\$ (39,498)	\$ 180,968
Property, plant and equipment	12,824,340	632,462	13,456,802
Other assets	<u>241,708</u>	<u>56,556</u>	<u>298,264</u>
	<u>\$ 13,286,514</u>	<u>\$ 649,520</u>	<u>\$ 13,936,034</u>
Current liabilities	\$ 286,307	\$ (176,910)	\$ 109,397
Long-term debt	4,885,619	(277,843)	4,607,776
Equity	<u>8,114,588</u>	<u>1,104,273</u>	<u>9,218,861</u>
	<u>\$ 13,286,514</u>	<u>\$ 649,520</u>	<u>\$ 13,936,034</u>

NOTES TO FINANCIAL STATEMENT (Continued)

NOTE G - JOINT VENTURES

The City also is a member of the Gogebic Range Solid Waste Management Authority (GRSWMA), a joint venture. It has been incorporated by its member municipalities, including the City of Bessemer. The GRSWMA is governed by a Board of Trustees comprised of members from the member municipalities. The GRSWMA operates independent from the member municipalities and is not considered a component unit of the City. Separate financial statements of the GRSWMA are available at the office located at E5917 U. S. 2, Ironwood, Michigan 49938. A condensed summary of the GRSWMA as of June 30, 2006, is as follows:

	<u>June 30, 2005</u>	<u>Net Change</u>	<u>June 30, 2006</u>
Current assets	\$ 178,366	\$ 53,830	\$ 232,196
Property, plant and equipment	869,291	(42,796)	826,495
Other assets	<u>49,633</u>	<u>(33,261)</u>	<u>16,372</u>
	<u>\$ 1,097,290</u>	<u>\$ (22,227)</u>	<u>\$ 1,075,063</u>
Current liabilities	\$ 82,567	\$ 39,600	\$ 122,167
Long-term debt	323,900	(17,000)	306,900
Equity	<u>690,823</u>	<u>(44,827)</u>	<u>645,996</u>
	<u>\$ 1,097,290</u>	<u>\$ (22,227)</u>	<u>\$ 1,075,063</u>

NOTE H - LONG-TERM DEBT

A summary of changes in the City's long-term debt for the year ended June 30, 2007, is as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Bonds payable	\$ 136,000	\$ 300,000	\$ 3,000	\$ 433,000	\$ 28,000
Notes payable	186,539	-	74,039	112,500	50,000
Lease purchase	-	-	-	-	-
Compensated absences	<u>57,046</u>	<u>2,309</u>	<u>-</u>	<u>59,355</u>	<u>-</u>
	<u>\$ 379,585</u>	<u>\$ 302,309</u>	<u>\$ 77,039</u>	<u>\$ 604,855</u>	<u>\$ 78,000</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE H - LONG-TERM DEBT (continued)

The long-term debt consists of the following general obligations of the City:

	<u>Balance</u>	<u>Due Within One Year</u>
1. General Obligation Limited Tax Bonds		
Building Authority Bond (2002)		
Issued April 17, 2002 for \$145,000, bearing interest @ 4.75% payable over 30 years.	\$ 133,000	\$ 3,000
2. General Obligation Limited Tax Bonds		
Downtown Development Bonds, Series 2007		
Issued February 23, 2007, for \$300,000, bearing interest @ 5.15% to 5.50%, payable over 10 years	300,000	25,000
3. Bank Note (Wells Fargo Bank)		
Issued September 23, 2003, for \$150,000, bearing interest @ 2.0% payable over 6 years	56,250	25,000
4. Bank Note (Wells Fargo Bank)		
Issued September 23, 2003, for \$150,000, bearing interest @ 2.0% payable over 6 years	<u>56,250</u>	<u>25,000</u>
 Total General Obligation Debt	 <u>\$ 545,500</u>	 <u>\$ 78,000</u>

The repayment schedule for these debts is scheduled as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2008	\$ 78,000	\$ 25,390	\$ 103,390
6/30/2009	78,000	22,729	100,729
6/30/2010	40,500	20,325	60,825
6/30/2011	28,000	18,640	46,640
6/30/2012	33,000	16,847	49,847
6/30/13 - 6/30/17	190,000	53,125	243,125
6/30/18 - 6/30/22	25,000	21,090	46,090
6/30/23 - 6/30/27	32,000	14,440	46,440
6/30/28 - 6/30/32	<u>41,000</u>	<u>6,080</u>	<u>47,080</u>
	<u>\$ 545,500</u>	<u>\$ 198,666</u>	<u>\$ 744,166</u>

Compensated Absences

Employees earn one day of sick leave per month with a maximum accumulation of 120 days. Upon retirement, employees are entitled to payment for up to a maximum of 100 days, calculated with regard to the number of years of service. Employees are also granted vacation in varying amounts based on the number of years of service. The estimated value of unused sick leave and vacation are reflected as a liability in the general long term debt account group at \$35,966 and \$23,389 respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE I - CONTINGENT LIABILITY

As further explained in Note G, the City is a member of three joint ventures. As a member, the City is contingently liable for its share of the bonds issued by the joint ventures. As of June 30, 2006, the outstanding bonds of the joint ventures are as follows:

	<u>Outstanding</u>	<u>City Portion</u>
BASA - 1987 bond issue	\$ 1,275,000	\$ 1,053,405 (82.62%)
BASA - 1998 bond issue	1,128,000	1,094,160 (97.00%)
GRWA - 1999 bond issue	2,655,000	2,102,760 (79.20%)
GRWA - 2003 bond issue	1,288,000	377,642 (29.32%)
GRSWMA - 2003 bond issue	323,900	75,793 (23.40%)

NOTE J - EMPLOYEE RETIREMENT PLAN

The City is a participating member of the Michigan Municipal Employees Retirement System (MERS) which covers substantially all of the City employees. The plan requires employees' contributions equal to specified percentages of earnings and the City makes annual contributions to the plan equal to the amounts accrued for pension expense. Detailed information concerning the plan was not available, accordingly, various disclosures, required by GASB Statement No.25, are not included herein.

NOTE K - POLICEMEN AND FIREMEN RETIREMENT PLAN

This plan was established and is maintained under the Fire and/or Police Department Pension and Retirement Act, Act 345, P.A. 1937. This plan provides for all past full time policemen and firemen and benefits were vested after 10 years of service. At June 30, 2007, the plan had no unfunded accrued liabilities. The City had no expense related to the plan for the years ended June 30, 2007, and 2006. Since the City's police and fire departments have been terminated, there were no active members at June 30, 2007.

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained coverage from a commercial insurance company. The City has comprehensive general liability coverage and has obtained worker' compensation coverage.

All risk management activities are accounted for in the financial statements of the City. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2007, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE M – COMMITMENTS AND CONTINGENCIES

In May of 2007, the City approved a proposal to purchase a fire truck to be delivered within 1 year. The cost of \$174,188 is expected to be financed over a period up to 15 years.

In normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of that is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE N – BUDGET COMPLIANCE

The City exceeded the budgeted expenditures in the general fund as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	\$ 1,186,193	\$ 1,227,805	\$ 41,612

OTHER FINANCIAL INFORMATION

CITY OF BESSEMER, MICHIGAN
 COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Local Street Fund</u>	<u>Building Authority Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$3,544	\$4,203	\$7,747
Due from State of Michigan	5,457	-	5,457
Due from other funds	14,191	-	14,191
Inventory	10,796	-	10,796
	<u>\$33,988</u>	<u>\$4,203</u>	<u>\$38,191</u>
LIABILITIES			
Vouchers payable	446	-	446
Due to other funds	-	-	-
	446	-	446
EQUITY			
Fund balance (deficit):			
Unreserved	<u>33,542</u>	<u>4,203</u>	<u>37,745</u>
	<u>33,542</u>	<u>4,203</u>	<u>37,745</u>
	<u>\$33,988</u>	<u>\$4,203</u>	<u>\$38,191</u>

CITY OF BESSEMER, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year ended June 30, 2007

	<u>Special Revenue Funds</u>		
	<u>Local Street Fund</u>	<u>Building Authority Fund</u>	<u>Totals</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Interest	376	46	422
Miscellaneous	-	-	-
State sources - highway aids	<u>87,686</u>	<u>-</u>	<u>87,686</u>
	88,062	46	88,108
Expenditures:			
General government	-	-	-
Highway and streets	166,853	-	166,853
Debt service:			
Principal	-	3,000	3,000
Interest	<u>-</u>	<u>6,460</u>	<u>6,460</u>
	<u>166,853</u>	<u>9,460</u>	<u>176,313</u>
Excess of Revenues over (under) expenditures	(78,791)	(9,414)	(88,205)
Other Financing Sources (Uses):			
Operating transfers in	99,573	9,460	109,033
Proceeds from borrowing	<u>-</u>	<u>-</u>	<u>-</u>
	<u>99,573</u>	<u>9,460</u>	<u>109,033</u>
Excess of Revenues and Other Sources over (under) expenditures and Other Uses	20,782	46	20,828
Fund balance - beginning of year (deficit)	<u>12,760</u>	<u>4,157</u>	<u>16,917</u>
Fund Balance - end of year (deficit)	<u><u>\$33,542</u></u>	<u><u>\$4,203</u></u>	<u><u>\$37,745</u></u>

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUE - BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Taxes:				
Property taxes	\$400,680	\$401,116	\$400,036	(\$1,080)
Collection fees	13,900	14,937	14,793	(144)
	414,580	416,053	414,829	(1,224)
Licenses and permits	2,500	6,000	6,386	386
Intergovernmental revenues:				
State sources:				
Library grant	1,800	1,800	1,302	(498)
Revenue sharing	270,500	270,500	262,458	(8,042)
Other	-	-	-	-
	272,300	272,300	263,760	(8,540)
Charges for services:				
Administration	170,437	170,437	169,330	(1,107)
Rentals	149,500	170,650	177,747	7,097
Sanitation	138,500	138,500	136,478	(2,022)
Cemetery	16,000	31,600	35,575	3,975
Library	2,500	2,900	2,926	26
Other	250	250	150	(100)
	477,187	514,337	522,206	7,869
Fines and forfeits	27,000	25,650	25,648	(2)
Other				
Interest	11,000	18,000	19,714	1,714
Sale of property	300	830	3,866	3,036
Donations	2,000	8,430	8,577	147
Miscellaneous	1,040	8,821	11,873	3,052
	14,340	36,081	44,030	7,949
TOTAL REVENUES	<u>\$1,207,907</u>	<u>\$1,270,421</u>	<u>\$1,276,859</u>	<u>\$6,438</u>

CITY OF BESSEMER, MICHIGAN
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
General government:				
Council/administration	\$6,160	\$6,160	\$5,756	\$404
Manager	50,971	50,971	52,514	(1,543)
General administration	307,136	320,736	332,017	(11,281)
Clerk	24,514	24,514	24,418	96
External audit	6,000	5,700	5,700	-
Board of review	2,584	2,584	2,556	28
Treasurer	28,606	28,606	29,621	(1,015)
Assessor	14,500	15,280	14,946	334
Elections	1,000	1,000	846	154
Buildings and grounds	29,111	29,111	31,094	(1,983)
Attorney	5,000	9,000	9,315	(315)
Cemetery	44,834	44,834	47,503	(2,669)
	520,416	538,496	556,286	(17,790)
Public safety:				
Police protection	85,750	84,720	84,644	76
Fire protection	25,865	24,025	22,422	1,603
Building inspector	5,000	7,000	7,256	(256)
	116,615	115,745	114,322	1,423
Highways and streets:				
Maintenance	155,824	157,324	159,723	(2,399)
Street lighting	46,868	48,976	48,904	72
	202,692	206,300	208,627	(2,327)
Sanitation - Collection/disposal	118,921	124,421	130,029	(5,608)
Culture and recreation:				
Planning	900	900	855	45
Parks and recreation	16,000	16,000	11,328	4,672
Library	61,025	64,725	60,610	4,115
	77,925	81,625	72,793	8,832
Capital outlay	2,000	66,000	65,923	77
Debt service:				
Principal	49,744	49,744	74,039	(24,295)
Interest	3,862	3,862	5,786	(1,924)
	53,606	53,606	79,825	(26,219)
TOTAL EXPENDITURES	1,092,175	1,186,193	1,227,805	(\$41,612)

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING AUTHORITY FUND
Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Interest	-	-	46	46
	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>
Expenditures:				
General government:				
Capital outlay	-	-	-	-
Debt service:				
Principal	-	3,000	3,000	-
Interest	-	6,500	6,460	40
	<u>-</u>	<u>9,500</u>	<u>9,460</u>	<u>40</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(9,500)</u>	<u>(9,414)</u>	<u>86</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>-</u>	<u>9,500</u>	<u>9,460</u>	<u>(40)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	46	46
Fund balance at beginning of year	<u>4,157</u>	<u>4,157</u>	<u>4,157</u>	<u>-</u>
Fund balance at end of year (deficit)	<u>\$4,157</u>	<u>\$4,157</u>	<u>\$4,203</u>	<u>\$46</u>

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT AUTHORITY FUND
Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ -	\$ 45,000	\$ 49,851	\$ 4,851
Interest	-	-	4,909	4,909
Miscellaneous	-	15,200	-	(15,200)
	-	60,200	54,760	(5,440)
Expenditures:				
General government	-	5,200	8,128	(2,928)
Public safety - development	-	355,000	175,428	179,572
	-	360,200	183,556	176,644
Excess of Revenues over (under) Expenditures	-	(300,000)	(128,796)	171,204
Other Financing Sources (Uses):				
Proceeds from borrowing	-	300,000	300,000	-
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	171,204	171,204
Fund balance at beginning of year	69,081	69,081	69,081	-
Fund balance at end of year	<u>\$69,081</u>	<u>\$69,081</u>	<u>\$240,285</u>	<u>\$171,204</u>

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREET FUND
For the Fiscal Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State sources:				
Highway aids	\$190,600	\$190,600	\$204,254	\$13,654
State trunk line maintenance	17,000	17,000	16,289	(711)
Interest	900	900	1,317	417
	<u>\$208,500</u>	<u>208,500</u>	<u>221,860</u>	<u>13,360</u>
Expenditures:				
Highways and streets:				
Council /administration	4,250	4,250	1,328	2,922
General administration	49,327	49,327	51,084	(1,757)
Construction	9,654	9,654	1,380	8,274
Routine maintenance	42,626	42,626	42,203	423
Snow and ice	78,492	78,492	79,374	(882)
Trunkline maintenance	15,272	15,272	10,497	4,775
	<u>199,621</u>	<u>199,621</u>	<u>185,866</u>	<u>13,755</u>
Excess of Revenues over (under) Expenditures	8,879	8,879	35,994	27,115
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers (out)	<u>(8,879)</u>	<u>(8,879)</u>	<u>(8,879)</u>	<u>-</u>
	<u>(8,879)</u>	<u>(8,879)</u>	<u>(8,879)</u>	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	27,115	27,115
Fund balance at beginning of year	<u>14,781</u>	<u>14,781</u>	<u>14,781</u>	<u>-</u>
Fund balance at end of year (deficit)	<u>\$14,781</u>	<u>\$14,781</u>	<u>\$41,896</u>	<u>\$27,115</u>

CITY OF BESSEMER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
LOCAL STREET FUND
Year ended June 30, 2007

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State sources:				
Highway aids	\$85,500	\$85,500	\$87,686	\$2,186
Interest	600	600	376	(224)
	<u>86,100</u>	<u>86,100</u>	<u>88,062</u>	<u>1,962</u>
Expenditures:				
Highways and streets:				
Council/administration	500	500	1,720	(1,220)
General administration	31,629	31,629	33,325	(1,696)
Construction	10,776	10,776	1,380	9,396
Routine maintenance	58,876	58,876	56,234	2,642
Snow and ice	67,406	67,406	74,194	(6,788)
Trunkline maintenance	-	-	-	-
	<u>169,187</u>	<u>169,187</u>	<u>166,853</u>	<u>2,334</u>
Excess of Revenues over (under) Expenditures	(83,087)	(83,087)	(78,791)	4,296
Other Financing Sources (Uses):				
Operating transfers in	83,087	83,087	99,573	16,486
Operating transfers (out)	-	-	-	-
	<u>83,087</u>	<u>83,087</u>	<u>99,573</u>	<u>16,486</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	-	20,782	20,782
Fund balance at beginning of year	<u>12,760</u>	<u>12,760</u>	<u>12,760</u>	<u>-</u>
Fund balance at end of year (deficit)	<u>\$12,760</u>	<u>\$12,760</u>	<u>\$33,542</u>	<u>\$20,782</u>

SUPPLEMENTAL REPORT

DAVID TRACZYK

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Member of the Council
City of Bessemer
Bessemer, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bessemer, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of Bessemer, Michigan's, basic financial statements and have issued my report thereon dated December 10, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Bessemer, Michigan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Bessemer, Michigan's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Bessemer, Michigan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bessemer, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Bessemer, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Bessemer, Michigan's internal control. I consider the deficiencies described as follows to be significant deficiencies in internal control over financial reporting.

07-1 Fixed Assets

Condition and Criteria: The City has not updated its general fixed assets ledgers or enterprise fund asset ledgers for many years.

Effect: Because of the failure to properly maintain the fixed asset accounts, proper control over these assets cannot be achieved.

Recommendation: It is recommended that all fixed asset accounts be updated and maintained as an integral part of the City's accounting system.

Response: We concur with the recommendation and have begun the process.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Bessemer, Michigan's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the City of Bessemer, Michigan's financial statements are free of material misstatement, I performed tests of it's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 10, 2007